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DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

Peer Review

Mid-term Review of Hungary

The mid-term review of Hungary was conducted in 2019 following its accession to the DAC in 2016.

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DEPUTY DIRECTOR
DEVELOPMENT CO-OPERATION DIRECTORATE
Director's Office

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To: DAC Delegates and Observers

Hungary Mid-term Review, 25 June, Budapest

Dear Colleagues,

On Tuesday, 25th June, I visited Hungary to conduct its mid-term review, accompanied by Joëlline Bénéfice of DCD. I would like to thank Mr István Joó, Deputy State Secretary for Export Development at the Hungarian Ministry of Foreign Affairs and Trade and his staff for an excellent programme of meetings and discussions. We met senior staff from the Ministry of Foreign Affairs and Trade as well as representatives from civil society, all of whom shared their views on Hungary's progress since its accession to the DAC in 2016. This mid-term review was also an opportunity to prepare Hungary for its first full DAC peer review to be conducted in 2021.

In addition to reviewing progress and challenges since 2016, the mid-term review discussions covered a number of recent developments in Hungary. In particular,

- Hungary is drafting a new development co-operation strategy for the period 2020-25 taking on board the Sustainable Development Goals as well as Hungary's Africa Strategy and National Export Strategy.
- Hungary is slowly shifting the business model of its bilateral co-operation and is planning to implement larger-scale, multi-sectoral programmes.
- From 2019, the Prime Minister's Office is responsible for co-ordinating bilateral humanitarian assistance under the Hungary Helps Programme.

The upcoming strategy for development co-operation is an opportunity to develop a comprehensive approach to development

We heard that Hungary's upcoming development co-operation strategy responds to five main drivers:

- Clarifying how Hungary's development co-operation will contribute to the Sustainable Development Goals (SDGs). Building on the strengths of Hungary's public and private sector, the strategy is expected to identify SDGs 1 - no poverty, 2 - zero hunger, 3 - health and well-being, 4 - quality education, 6 - water and sanitation, 8 - decent work and economic growth and 17 - partnership for the goals as its thematic focus.
- Giving more emphasis to national interests, especially foreign policy and economic objectives. The development co-operation portfolio in the Ministry of Foreign Affairs and Trade is now attached to the Deputy State Secretary for Export Development, and that projects will also be selected – though not exclusively – on the basis of their contribution to future economic partnerships illustrates this shift.
- Focusing Hungary's engagement on the target sectors, countries and regions defined in the Africa Strategy and the National Export Strategy, specifically least developed countries in Africa, and on a

limited number of larger bilateral programmes. This would imply a marked shift from previous geographic focus, as in 2017 49.6% of gross bilateral official development assistance (ODA) was disbursed in Asia.

- Mobilising the private sector and civil society organisations domestically to contribute to sustainable development.
- Improving policy-planning, co-ordination and results-based management.

While the strategy is still subject to consultation, including with civil society organisations – which is good practice, we discussed challenges with balancing what could become conflicting objectives between trade or migration policies and development as well as short-term versus long-term. I mentioned the possible need for safeguards to ensure the development programme remains focused on long-term investments for poverty reduction and sustainable development in partner countries. We also discussed how the 2021 DAC peer review will assess whether the strategy sets out a comprehensive approach to development, including to reduce poverty, leave no-one behind and address cross-cutting issues such as gender equality and the environment, and how these principles are being operationalised.

Hungary is committed to increasing its ODA budget

I was pleased to hear about Hungary's repeated commitment to disburse 0.33% of its gross national income (GNI) as ODA by 2030 and discussed the importance of setting a roadmap with intermediary targets to reach this goal. I was also pleased to see that preliminary ODA figures for 2018 provided in April already showed an increase of 20.7% in real terms from 2017, with USD 190 million disbursed in total ODA in 2018, equivalent to 0.14% of GNI. I took note of updated figures collected by the Ministry of Foreign Affairs and Trade in July, after our visit – which show the level of total ODA as USD 285.1 million and the ODA/GNI ratio as 0.20%¹ - and I encouraged the ministry to pursue its efforts to collect data across ministries. The planned network of resident development co-ordinators within line ministries could become a useful tool to collect up-to-date information.

I congratulated Hungary for having reported on the tying status of its ODA for the first time. According to preliminary data, the share of untied bilateral ODA, excluding administrative costs and in-donor refugee costs, was 86.6% in 2017. Bearing in mind that scholarships represented 75.1% of country programmable aid, the share of tied project-type interventions was 90% that year according to OECD calculations. Again, I took note of inconsistencies between OECD and Hungary's figures. I encouraged the ministry to contact DCD's statistical division to make sure we have a shared understanding of the type of aid provided beyond scholarships and to report on contract awards. Given that the financial envelope of Hungary's tied aid credit programme since its launch in 2004 amounts to EUR 1.1 billion, I acknowledged Hungary's efforts to draft a specific strategy which will set out how this portfolio contributes to Hungary's development co-operation objectives.

Hungary will need to adjust its structure and systems to match its new business model

Hungary plans to increase the volume of its bilateral engagement mainly by funding larger programmes in Africa. It is currently piloting this approach in Uganda, where it has just launched a EUR 16 million programme to ease the pressure on Uganda in hosting refugees, with projects focusing on water management, agriculture, security printing, digitalisation and support to tourism. We discussed the impact of this new business model on Hungary's organisational structures and management systems for development co-operation. At the moment, the Ministry of Foreign Affairs and Trade has only 17 staff members dedicated to development co-operation, staff who are subject to a high-level of turn-over. As Hungary continues to increase and mature its bilateral programme, it will need to rethink its field presence in new partner countries and level of expertise in the ministry to be able to identify priorities based on the needs of partner countries and of people furthest behind, adjust programmes as contexts evolve, and manage risks strategically. Hungary has already taken steps in this direction by opening a representation in Uganda where it was not present before. I was also impressed by Hungary's dedication to learn

¹ The data sent in July will be reviewed by DCD's statistical division in the coming months and official figures will be updated in due course.

from other DAC members to improve its current management systems, not only engaging with countries of the Visegrád Group but also with Germany, Italy, Japan, Slovenia and the United States of America.

While the Ministry of Foreign Affairs and Trade is responsible for co-ordinating the development co-operation policy and chairs the inter-ministerial committee on development co-operation, line ministries may also provide development assistance through their own respective budgets. Since January 2019, the Prime Minister's Office is responsible for co-ordinating bilateral humanitarian assistance and the Hungary Helps Programme. Despite clarity in the legislation, we heard from civil society organisations that they found the division of labour between the Ministry of Foreign Affairs and the Prime Minister's Office confusing.

Hungary can do more to evaluate its development co-operation and be transparent about results

The 2016 accession review concluded that Hungary did not fully meet the DAC criterion of having a system of performance monitoring and evaluation. At the time, monitoring was mainly financial and there was no evaluation system in place. While I saw some steps forward, I urged Hungary to accelerate progress to make sure reforms materialise by 2021.

Concerning monitoring, the Ministry of Foreign Affairs and Trade has developed a set of indicators based largely on OECD guidelines to select and monitor projects. Implementing partners are also expected to monitor and report on results. We discussed how measurement challenges should not prevent Hungary from selecting projects aiming at long-term change even when they are more difficult to measure.

Concerning evaluation, the legislation stipulates that all projects should be evaluated, including the scholarships programme. I was pleased to learn that Hungary has been consulting Belgium, Finland and Slovenia to learn from their approach and improve its systems. The Ministry of Foreign Affairs and Trade is also developing monitoring and evaluation guidelines for all staff involved in development co-operation. Nevertheless, as noted in the accession review, Hungary has yet to meet the peer review indicators in terms of establishing an evaluation strategy, function, plan or an evaluation budget delinked from project costs. Investing in monitoring and evaluation capacities will be critical as Hungary wants to carry out programmes that are more complex and more difficult to assess.

Such progress in monitoring and evaluation could also strengthen Hungary's continued efforts towards transparency. Indeed, I heard that non-governmental organisations (NGOs) in Hungary were interested in receiving more information on the development co-operation policy and programmes, beyond financial information and the general objectives of each project.

Partnership with the private sector is strong; partnership with civil society could be improved

The fifth pillar of the upcoming development co-operation strategy aims to mobilise the private sector and civil society organisations. Currently, Hungary has a clear vision of the strengths of its private sector, its comparative advantage (thematic and geographic) and where and on what it can add value to development. During the course of the day, we discussed the challenges with aligning the objectives of each partner with the development objectives of the projects they engaged in, and the DAC's work on engaging with the private sector.

The Ministry of Foreign Affairs and Trade has also developed strong working relationships and regular consultations with some civil society organisations. We discussed the added-value of a more formal structure of dialogue that would make consultations more efficient. In addition, even though Hungary is planning to engage more with civil society, it is currently channelling only 1% of its bilateral ODA through NGOs. We discussed the need to adjust financing mechanisms to make sure that NGOs can be funded not only as implementing partners but also as actors in their own right. Such an approach would also contribute to professionalising Hungarian NGOs in line with the Ministry's objectives.

Conclusion

Since its accession to the DAC in 2016, Hungary has proved its willingness to increase and improve the quality of its development co-operation, including by engaging with and learning from other development partners. In 2021, Hungary will undergo its first comprehensive peer review of development co-operation. I hope that Hungary will use these two years to design and implement a comprehensive strategy that balances short-term and long-term needs, and set-up systems that are fit for purpose especially with regards to co-ordination, local engagement, transparency and evaluation. I also encourage Hungary to pursue its efforts to engage with civil society in a more systematic manner.

Finally, I wish to thank Gergely Karbuczky, Lilla Vulcz, Gábor Szendi and the many other staff who facilitated arrangements and participated in a most productive and enjoyable day of discussions in Budapest.

Yours sincerely,



Mayumi Endoh

cc: Ms Susanna Moorehead, DAC Chair

Mr Jorge Moreira da Silva, Director, Development Co-operation Directorate (DCD)

Mr Rahul Malhotra, Head of Division, DCD

Ms Joëlline Bénéfice, Policy Analyst, DCD